

Message Text

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PAGE 01 MEXICO 01261 240043Z
ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 DOE-11 H-01 INR-07 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02
SS-15 STR-06 TRSE-00 ACDA-12 /113 W
-----112522 240640Z /14

R 240033Z JAN 78
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 7772
ALL DSCONS MEXICO (POUCH)

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FOLLOWING RCVD FM AMCONSUL MONTERREY 23 JAN BEING REPEATED BELOW
FOR UR ACT/INFO
QUOTE
R 231400Z JAN 78
FM AMCONSUL MONTERREY
TO AMEMBASSY MEXICO

LIMITED OFFICIAL USE MONTERREY 0030

FOR ECONOMIC COUNSELOR

E.O. 11652: N/A
TAGS:TENGR, MX
SUBJECT: MONTERREY'S NATURAL GAS SITUATION

REF: ECON COUNSELOR'S MEMO OF JANUARY 5,1978

1. THERE IS NO NATURAL GAS PRODUCTION IN MONTERREY OR ITS IMMEDIATE
ENVIRONS. ALL GAS CURRENTLY BURNED IN MONTERREY AREA COMES FROM
GAS FIELDS LOCATED IN REYNOSA AND NUEVO LAREDO. THIS GAS IS
TRANSPORTED TO MONTERREY VIA 22 AND 24 INCH PIPELINES OWNED BY
PEMEX AND A 14 INCH LINE OWNED BY A PRIVATE COMPANY WHICH SERVES
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MONTERREY'S LARGEST INDUSTRIAL GROUPS.

2. MONTERREY CONSUMES SOME 215 MILLION CUBIC FEET OF GAS PER DAY.
ACTUAL DEMAND FOR GAS HAS EXCEEDED SUPPLY FOR PAST SEVERAL YEARS
AND GOM HAS RESPONDED BY FORCING MANY INDUSTRIAL USERS TO SHIFT
FROM GAS TO HEAVY OIL AS A SOURCE OF PROCESS HEAT. WHEN SEASONAL
DEMAND FOR GAS BY HOUSEHOLDS RISES, INDUSTRIES ARE SUBJECT TO

RATIONING. FOR EXAMPLE, MONTERREY'S GLASS GROUP RELUCTANTLY SHIFTS FROM 100 PERCENT RELIANCE ON GAS IN SUMMER TO A 70-30 MIX OF FUEL OIL AND GAS IN CHILLY WINTERS. OTHER INDUSTRIES MAKE SIMILAR SEASONAL FUEL SHIFTS WHICH NECESSITATE MAINTENANCE OF COSTLY DUAL-FUEL COMBUSTION EQUIPMENT. MONTERREY HOMEOWNERS ALSO RECEIVE FREQUENT OFFICIAL EXHORTATIONS TO SHIFT AWAY FROM NATURAL GAS FOR DOMESTIC HEATING. PREFERENCE OF BOTH INDUSTRIALISTS AND HOMEOWNERS FOR NATURAL GAS HEAT IS MAIN REASON THAT REGIOMONTANOS WHOLEHEARTEDLY SUPPORT THE NORTH-SOUTH GASLINE PROJECT.

3. MONTERREY POSSESSES A TENTATIVE, BUT PROMISING, ALTERNATIVE TO BOTH REYNOSA/NUEVO LAREDO AND TABASCO/CHIAPAS GAS SUPPLIES. PEMEX OFFICIALS HAVE CONFIDED TO TOP INDUSTRIALISTS THAT RECENTLY DISCOVERED GAS FIELDS IN REGION OF MONCLOVA COULD POTENTIALLY SUPPLY THE NEEDS OF BOTH MONTERREY AND MONCLOVA WITH SOME SURPLUS TO SPARE. WE UNDERSTAND, HOWEVER, THAT PEMEX RELEASED NO SPECIFIC RESERVE ESTIMATES AND GAVE NO PRECISE TIME FRAME FOR FULLY DEVELOPING THESE RESOURCES.

4. WE ARE NOT ARMED WITH ENOUGH HARD DATA TO ASSESS THE COST-BENEFIT RATIO OF SHUTTING-IN NORTHERN GAS WELLS IN ORDER TO BOOST COMBINED CRUDE AND ASSOCIATED GAS OUTPUT IN THE SOUTH. COST OF SOUTHERN GAS COLLECTION, SWEETENING, AND TRANSPORTATIONS SYSTEMS WOULD HAVE TO BE LIMITED OFFICIAL USE

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BALANCED OFF AGAINST DISCOUNTED FUTURE VALUE OF SHUT-IN GAS AND REVENUES FROM INCREASED SOUTHERN OIL PRODUCTION. SINCE NORTHERN WELLS PRODUCE EITHER DRY GAS OR ONLY SMALL AMOUNTS OF CONDENSATE, IT DOES INDEED SEEM AT LEAST TECHNICALLY FEASIBLE TO SHUT-IN THIS NORTHERN GAS AND REPLACE IT WITH ASSOCIATED GAS PIPELINED FROM TABASCO/CHIAPAS. MCLENDON UNQUOTE LUCEY

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